



Connecticut Early Childhood Alliance

Testimony of Merrill Gay on

SB 21 AN ACT CONCERNING A STATE-WIDE PROPERTY TAX
ON CERTAIN RESIDENTIAL REAL PROPERTY
SB 28 AN ACT ESTABLISHING A CAPITAL GAINS SURCHARGE
SB 29 AN ACT CONCERNING THE EARNED INCOME TAX CREDIT

Good afternoon Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman, and the distinguished members of the Finance, Revenue and Bonding Committee. My name is Merrill Gay, I am a Executive Director of the Connecticut Early Childhood Alliance which is a member of Recovery For All, a statewide coalition of faith, community, and labor organizations united to eliminate systemic inequalities and rebuild a better Connecticut. Thank you for the opportunity to testify in support of SB 21, SB 28 and SB 29.

Last Friday more than 50 parents, child care providers and advocates testified in favor of SB 2. They stunned the committee members with a price tag of \$700 million needed to keep the child care system from collapsing. Child care has always been low wage work, but with a labor shortage causing retail, fast food and other low wage employers to raise pay, child care programs can't keep or find new staff. There are more than 1,300 open child care positions on Indeed. Four out of five programs are short staffed.

In retail when you are short staffed, the line at the cashier might be longer, but in child care the consequences are much more serious. Programs must maintain strict staff to student ratios to assure the safety of children. That means when programs don't have teachers they can't open classrooms, which means parents can't go to work, making the overall labor shortage worse. In our survey, 57% of programs had closed classrooms and 62% of child care programs were operating in the red. All of this was happening as [CBIA just reported](#) that the number of Connecticut job openings surged to 110,000 in 2021—a 64% increase over 2020—while the labor force declined for a second consecutive year. The report cites “child care challenges” as a contributing factor to the shrinking workforce.

Last September Treasury Secretary Yellin called child care “[A textbook example of a broken market](#)”. It's a broken market that Connecticut needs to fix or the labor force will continue to shrink as child care centers go bankrupt and parents are left without the care they need to go to work. Fixing that broken market won't be cheap and that's why I am here to support SB 21, 28 and 29.

The 2014 state tax incidence analysis shows that the bottom 50% of Connecticut taxpayers contribute 23.6% of their income, whereas those in the top 1% contribute a mere 7.5%. That top 1% has continued to do very well since 2014. Since the start of the pandemic, Connecticut's 13 billionaires seized \$13.7 billion in additional wealth – adding on average \$1 billion each – while hundreds of thousands of working people, especially working people of color, saw their lives upended.



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The ultra-wealthy have been allowed to rig the rules in their favor and profit from others' work while refusing to contribute at the same levels we all pay to fund schools, higher education, infrastructure, healthcare programs, and other vital public services upon which we all rely. This must stop. We must join together to create a sustainable recovery, but we can't do it alone on federal funds that will soon expire. The unmet need is too great.

SB 29 would begin a Recovery For All by providing immediate and permanent relief to those who need it most. It should be coupled with a child tax credit to help bring working families out of poverty and give them a fighting chance to make ends meet, provide for their children and save for a rainy day.

SB 21 and 28 would ask high income earners to share the responsibility of building a strong economy. They are important, common sense measures, but we should also raise marginal rates on households with incomes over \$1 million. That level of contribution will go a long way to revitalizing and expanding programs and services that build equity. It would create a vibrant Connecticut where everyone can thrive.

Many low-wage earners are also essential workers who've been on the frontlines of the pandemic, treating our sick and keeping our economy moving. They deserve the pandemic hazard pay that the U.S. Treasury Department deemed an appropriate use of American Rescue Plan Act funds. The state of Connecticut has permission and the resources to recognize their sacrifices. We hope it will find the will.

Lastly, we should be asking mega-profitable corporations to do more. Increasing the current corporate income tax surcharge from 10% to 20% and increasing the business tax on corporations whose gross income is \$100 million or greater from 7.5% to 11.5%, would generate between \$250 million to \$300 million. Huge tech companies like Google, Facebook, and Amazon maximize their profits by surveilling, collecting, and reselling user data to target online advertising. A 10% tax on digital advertising on any company with income over \$10 billion would generate approximately \$140 million annually. Maryland just instituted such a tax and expects to raise up to \$250 million a year for K-12 and early care including free preschool for low income children.

The scale of this crisis demands a bold response—people are suffering and our state has a responsibility to meet our needs. Addressing the unfairness of Connecticut's tax code is a good first step in this process. We have an unprecedented opportunity to stop the hurt so many families are feeling by funding essential services, reducing economic and racial inequality, and setting our state on a path to robust economic recovery by restoring fairness to our tax code. I urge the Committee to have the courage to make the right choice and pass SB 21, SB 28 and SB 29. Thank you for the opportunity to testify.